

VILLAGE OF CAMDEN

AUDIT REPORT

FEBRUARY 29, 2004

## AUDITING PROCEDURES REPORT

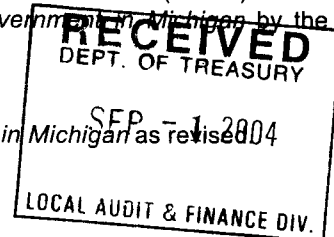
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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>Village of Camden</i>	County <i>Hillsdale</i>
Audit Date <i>2/28/04</i>	Opinion Date <i>8/26/04</i>	Date Accountant Report Submitted to State: <i>8/31/04</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised *SEP - 1 2004*
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Bailey, Hodshure &amp; Company, PC</i>			
Street Address <i>479 E Chicago Rd</i>	City <i>Jonesville</i>	State <i>Mi</i>	ZIP <i>49250</i>
Accountant Signature <i>Bailey, Hodshure &amp; Company, PC</i>			

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Village Council  
Village of Camden  
Camden, Michigan

We have audited the accompanying general purpose financial statements of the Village of Camden as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Camden, as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2004, on our consideration of the Village of Camden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Camden. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Bailey, Hodshire + Company, P.C.*  
Jonesville, Michigan  
August 26, 2004

VILLAGE OF CAMDEN  
COMBINED BALANCE SHEET  
ALL FUND TYPES, ACCOUNT GROUPS,  
AND DISCRETELY PRESENTED COMPONENT UNIT  
FEBRUARY 29, 2004

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>ASSETS AND OTHER DEBITS</b>			
Cash and cash equivalents	\$ 71,772	\$ 335,281	\$ 265,691
Accounts receivable	818	86	8,175
Due from other funds	120,881	16,765	19,456
Due from other governmental units	26,593	9,253	7,163
Prepaid expenses	2,670	4,802	1,160
Restricted assets:			
Bond interest and redemption accounts	0	0	51,519
Bond reserve account	0	0	5,767
Fixed assets:			
Land, buildings & equipment	0	0	1,382,495
Accumulated depreciation	0	0	(583,827)
Other Debits:			
Amount to be provided for long-term debt	<u>0</u>	<u>0</u>	<u>0</u>
Total assets	<u>\$ 222,734</u>	<u>\$ 366,187</u>	<u>\$1,157,599</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 22,895	\$ 1,230	\$ 13,329
Due to other funds	33,564	77,460	62,400
Payroll taxes payable	1,408	0	0
Notes payable	0	0	0
Liabilities payable from restricted assets:			
Accrued interest payable	0	0	8,063
Revenue bonds payable-current portion	0	0	4,000
Revenue bonds payable	0	0	426,000
Notes payable	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>\$ 57,867</u>	<u>\$ 78,690</u>	<u>\$ 513,792</u>
<b>FUND EQUITY</b>			
Investment in general fixed assets	\$ 0	\$ 0	\$ 0
Contributed capital	0	0	200,038
Retained earnings			
Reserved	0	0	5,767
Unreserved	0	0	438,002
Fund balance			
Designated	0	11,528	0
Unreserved, undesignated	<u>164,867</u>	<u>275,969</u>	<u>0</u>
Total fund equity	<u>\$ 164,867</u>	<u>\$ 287,497</u>	<u>\$ 643,807</u>
Total liabilities and fund equity	<u>\$ 222,734</u>	<u>\$ 366,187</u>	<u>\$1,157,599</u>

The accompanying notes are an integral part of this statement.

<u>Account Groups</u>		<u>Total</u> <u>(Memo only)</u>	<u>Component Unit</u>	<u>Totals</u> <u>(Memo only)</u>
<u>General</u>	<u>General</u>		<u>Local</u>	
<u>Fixed Assets</u>	<u>Long-Term</u>	<u>Primary</u>	<u>Development</u>	<u>Reporting</u>
	<u>Debt</u>	<u>Government</u>	<u>Finance Authority</u>	<u>Entity</u>
\$ 0	\$ 0	\$ 672,744	\$ 40,572	\$ 713,316
0	0	9,079	0	9,079
0	0	157,102	16,321	173,423
0	0	43,009	5,787	48,796
0	0	8,632	0	8,632
0	0	51,519	0	51,519
0	0	5,767	0	5,767
502,788	0	1,885,283	0	1,885,283
0	0	(583,827)	0	(583,827)
<u>0</u>	<u>13,012</u>	<u>13,012</u>	<u>0</u>	<u>13,012</u>
<u>\$ 502,788</u>	<u>\$ 13,012</u>	<u>\$ 2,262,320</u>	<u>\$ 62,680</u>	<u>\$ 2,325,000</u>
\$ 0	0	\$ 37,454	\$ 0	\$ 37,454
0	0	173,424	0	173,424
0	0	1,408	0	1,408
0	8,559	8,559	0	8,559
0	0	8,063	0	8,063
0	0	4,000	0	4,000
0	0	426,000	0	426,000
<u>0</u>	<u>4,453</u>	<u>4,453</u>	<u>0</u>	<u>4,453</u>
<u>\$ 0</u>	<u>\$ 13,012</u>	<u>\$ 663,361</u>	<u>\$ 0</u>	<u>\$ 663,361</u>
\$ 502,788	\$ 0	\$ 502,788	\$ 0	\$ 502,788
0	0	200,038	0	200,038
0	0	5,767	0	5,767
0	0	438,002	0	438,002
0	0	11,528	0	11,528
<u>0</u>	<u>0</u>	<u>440,836</u>	<u>62,680</u>	<u>503,516</u>
<u>\$ 502,788</u>	<u>\$ 0</u>	<u>\$ 1,598,959</u>	<u>\$ 62,680</u>	<u>\$ 1,661,639</u>
<u>\$ 502,788</u>	<u>\$ 13,012</u>	<u>\$ 2,262,320</u>	<u>\$ 62,680</u>	<u>\$ 2,325,000</u>

The accompanying notes are an integral part of this statement.

**VILLAGE OF CAMDEN**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>REVENUE</b>		
Property taxes	\$ 45,797	\$ 5,654
State shared revenues	69,098	44,640
Charges for services	0	19,147
Grants	0	15,648
Contributions	0	42,589
Interest income	4,049	2,364
Miscellaneous	<u>4,381</u>	<u>1,865</u>
Total Revenue	<u>\$ 123,325</u>	<u>\$ 131,907</u>
<b>EXPENDITURES</b>		
General Government:		
Advertising	\$ 549	\$ 0
Elections	296	0
Maintenance and repair	16,546	735
Utilities and telephone	15,236	0
Hydrant rental	600	0
Insurance	12,098	239
Professional services	31,462	0
Dues	798	0
Office supplies	1,049	0
Payroll expense	39,096	0
Miscellaneous expense	2,513	85
Culture and Recreation	0	1,414
Public Safety	0	20,032
Highways and Streets	0	3,209
Capital outlay	<u>15,494</u>	<u>65,343</u>
Total Expenditures	<u>\$ 135,737</u>	<u>\$ 91,057</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (12,412)</u>	<u>\$ 40,850</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	\$ 3,000	\$ 400
Operating transfers out	(9,697)	(3,000)
Other transactions	<u>(13,624)</u>	<u>0</u>
Net Other Financing Sources (Uses)	<u>\$ (20,321)</u>	<u>\$ (2,600)</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (32,733)</u>	<u>\$ 38,250</u>
FUND BALANCES - March 1, 2003	<u>197,600</u>	<u>249,247</u>
FUND BALANCES - February 29, 2004	<u>\$ 164,867</u>	<u>\$ 287,497</u>

The accompanying notes are an integral part of this statement.

<u>Totals</u> (Memo Only) <u>Primary Government</u>	<u>Component Unit</u> <u>Local Development</u> <u>Finance Authority</u>	<u>Totals</u> (Memo Only) <u>Reporting Entity</u>
\$ 51,451	\$ 9,523	\$ 60,974
113,738	0	113,738
19,147	0	19,147
15,648	0	15,648
42,589	0	42,589
6,413	486	6,899
<u>6,246</u>	<u>0</u>	<u>6,246</u>
\$ <u>255,232</u>	\$ <u>10,009</u>	\$ <u>265,241</u>
\$ 549	\$ 0	\$ 549
296	0	296
17,281	0	17,281
15,236	0	15,236
600	0	600
12,337	0	12,337
31,462	0	31,462
798	0	798
1,049	0	1,049
39,096	0	39,096
2,598	0	2,598
1,414	0	1,414
20,032	0	20,032
3,209	0	3,209
<u>80,837</u>	<u>0</u>	<u>80,837</u>
\$ <u>226,794</u>	\$ <u>0</u>	\$ <u>226,794</u>
\$ <u>28,438</u>	\$ <u>10,009</u>	\$ <u>38,447</u>
\$ 3,400	\$ 0	\$ 3,400
(12,697)	0	(12,697)
<u>(13,624)</u>	<u>0</u>	<u>(13,624)</u>
\$ <u>(22,921)</u>	\$ <u>0</u>	\$ <u>(22,921)</u>
\$ 5,517	\$ 10,009	\$ 15,526
<u>446,847</u>	<u>52,671</u>	<u>499,518</u>
\$ <u>452,364</u>	\$ <u>62,680</u>	\$ <u>515,044</u>

The accompanying notes are an integral part of this statement.



**VILLAGE OF CAMDEN**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL,**  
**SPECIAL REVENUE, AND DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>General Fund</u>		Over (Under)
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
<b>REVENUE</b>			
Property taxes	\$ 48,150	\$ 45,797	\$ (2,353)
State shared revenue	50,110	69,098	18,988
Charges for services	0	0	0
Grants	0	0	0
Contributions	0	0	0
Interest income	2,800	4,049	1,249
Miscellaneous income	<u>3,500</u>	<u>4,381</u>	<u>881</u>
Total revenue	<u>\$ 104,560</u>	<u>\$ 123,325</u>	<u>\$ 18,765</u>
<b>EXPENDITURES</b>			
General Government:			
Advertising	\$ 200	\$ 549	\$ 349
Elections	200	296	96
Repairs and maintenance	10,975	16,546	5,571
Utilities and telephone	11,284	15,236	3,952
Hydrant rental	600	600	0
Insurance	7,662	12,098	4,436
Professional services	13,000	31,462	18,462
Dues	800	798	(2)
Office supplies	1,926	1,049	(877)
Payroll expense	14,800	39,096	24,296
Miscellaneous expense	2,848	2,513	(335)
Culture and Recreation	0	0	0
Public Safety	0	0	0
Highways and Streets	0	0	0
Capital outlay	<u>43,465</u>	<u>15,494</u>	<u>(27,971)</u>
Total Expenditures	<u>\$ 107,760</u>	<u>\$ 135,737</u>	<u>\$ 27,977</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (3,200)</u>	<u>\$ (12,412)</u>	<u>\$ (9,212)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers In	\$ 0	\$ 3,000	\$ 3,000
Operating transfers out	(6,800)	(9,697)	(2,897)
Other transactions	<u>0</u>	<u>(13,624)</u>	<u>(13,624)</u>
Net Other Financing Sources (Uses)	<u>\$ (6,800)</u>	<u>\$ (20,321)</u>	<u>\$ (13,521)</u>
<b>REVENUE AND OTHER SOURCES OVER (UNDER)</b>			
EXPENDITURES AND OTHER USES	\$ (10,000)	\$ (32,733)	\$ (22,733)
FUND BALANCES - March 1, 2003	<u>197,600</u>	<u>197,600</u>	<u>0</u>
FUND BALANCES - February 29, 2004	<u>\$ 187,600</u>	<u>\$ 164,867</u>	<u>\$ (22,733)</u>

The accompanying notes are an integral part of this statement.

Special Revenue Funds			Component Unit Local Development Finance Authority		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$ 4,705	\$ 5,654	\$ 949	\$ 0	\$ 9,523	\$ 9,523
45,500	44,640	(860)	0	0	0
26,936	19,147	(7,789)	0	0	0
0	15,648	15,648	0	0	0
1700	42,589	40,889			
1,898	2,364	466	0	486	486
<u>500</u>	<u>1,865</u>	<u>1,365</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 81,239</u>	<u>\$ 131,907</u>	<u>\$ 50,668</u>	<u>\$ 0</u>	<u>\$ 10,009</u>	<u>\$ 10,009</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
4,040	735	(3,305)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
315	239	(76)	0	0	0
2,270	0	(2,270)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	85	85	0	0	0
1,850	1,414	(436)	0	0	0
27,264	20,032	(7,232)	0	0	0
32,005	3,209	(28,796)	0	0	0
<u>0</u>	<u>65,343</u>	<u>65,343</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 67,744</u>	<u>\$ 91,057</u>	<u>\$ 23,313</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 13,495</u>	<u>\$ 40,850</u>	<u>\$ 27,355</u>	<u>\$ 0</u>	<u>\$ 10,009</u>	<u>\$ 10,009</u>
\$ 1,900	\$ 400	\$ (1,500)	\$ 0	\$ 0	\$ 0
<u>(3,300)</u>	<u>(3,000)</u>	<u>300</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (1,400)</u>	<u>\$ (2,600)</u>	<u>\$ (1,200)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 12,095	\$ 38,250	\$ 26,155	\$ 0	\$ 10,009	\$ 10,009
<u>249,247</u>	<u>249,247</u>	<u>0</u>	<u>0</u>	<u>52,671</u>	<u>52,671</u>
<u>\$ 261,342</u>	<u>\$ 287,497</u>	<u>\$ 26,155</u>	<u>\$ 0</u>	<u>\$ 62,680</u>	<u>\$ 62,680</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CAMDEN  
COMBINED STATEMENT OF REVENUE, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED FEBRUARY 29, 2004

	Enterprise Fund
OPERATING REVENUE	
Charges for services	<u>\$ 133,261</u>
OPERATING EXPENSES	
Professional services	\$ 518
Contracted services	19,440
Insurance	1,804
Utilities	5,979
Advertising	248
Depreciation	28,626
Repairs and maintenance	9,338
Fees	783
Miscellaneous	<u>193</u>
Total operating expenses	<u>\$ 66,929</u>
Operating income	<u>\$ 66,332</u>
NON-OPERATING REVENUE (EXPENSE)	
Interest income	\$ 1,121
Interest expense	<u>(19,082)</u>
Net non-operating revenue (expense)	<u>\$ (17,961)</u>
INCOME BEFORE OPERATING TRANSFERS	<u>\$ 48,371</u>
OPERATING TRANSFERS	
Operating transfers in	\$ 0
Operating transfers out	<u>0</u>
Net operating transfers	<u>\$ 0</u>
NET INCOME	\$ 48,371
RETAINED EARNINGS - March 1, 2003	<u>395,398</u>
RETAINED EARNINGS - February 29, 2004	<u><u>\$ 443,769</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CAMDEN  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED FEBRUARY 29, 2004

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 140,427
Cash paid to suppliers	<u>(30,581)</u>
Net cash provided by operating activities	<u>\$ 109,846</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 0
Transfers to other funds	<u>0</u>
Net cash provided by non-capital financing activities	<u>\$ 0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital expenditures	\$ (115,019)
Bond interest paid	(18,016)
Bond principal paid	(4,000)
Bond proceeds	<u>3,000</u>
Net cash provided by capital and related financing activities	<u>\$ (134,035)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>\$ 1,121</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ (23,068)
CASH AND CASH EQUIVALENTS - March 1, 2003	<u>346,045</u>
CASH AND CASH EQUIVALENTS - February 29, 2004	<u>\$ 322,977</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CAMDEN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Village of Camden comprises a population of approximately 550 residents in Hillsdale County, Michigan. It is governed by a seven-member council with a president as its head. The Village provides the following services as authorized by its charter: Fire Protection, Cemetery and Park Maintenance, Street Maintenance, and Water and Sewer Service. As required by generally accepted accounting principles, these financial statements present the Village of Camden (the primary government) and its component unit.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body.

Discretely Presented Component Unit - The component unit columns in the combined financial statements include the financial data of the Village's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village.

The Local Development Finance Authority (LDFA) was created under Public Act 281 of 1986 of the State of Michigan. The LDFA's purpose is to stimulate economic growth, increase employment in the Village, and broaden the local tax base. The budget of the entity requires the Village's approval, and its main revenue source (tax increment financing) is a financial burden to the Village.

Basis of Presentation

The accounts of the Village are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The various funds and account groups of the Village are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Enterprise Funds - Enterprise Funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Only Financial Accounting Standards Board statements issued prior to November 30, 1989 have been applied to the proprietary funds.

VILLAGE OF CAMDEN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Account Groups

General Fixed Assets Group of Accounts - This account group presents fixed assets of the Village utilized in its general operations.

General Long-Term Debt Group of Accounts - This account group presents the balance of general long-term debt which is not recorded in proprietary funds.

Total columns on the combined statements are captioned "memo only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; therefore, it is not comparable to a consolidation.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources.

The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e. when it is "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt and certain compensated absences which are recognized when paid.

Property taxes, State revenue sharing, interest, and special assessments are susceptible to accrual. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Other receipts become measurable and available when cash is received by the Village and are recognized as revenue at that time.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time the liability is incurred.

The component unit utilizes the modified accrual basis of accounting.

Budgets

Budgets were adopted for revenue and expenditures in the General Fund and Special Revenue Funds on a modified accrual basis. Once approved, the Village Council may amend the budgets when modifications are required in estimated revenues and expenditures. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year-end. The amended budgets are presented in these financial statements. Actual expenditures may not legally exceed budgeted amounts nor may the Village budget have a fund deficit.

VILLAGE OF CAMDEN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Investments

Cash and investments are reported at cost. For purposes of the statement of cash flows, the Village considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fixed Assets

Fixed assets are accounted for at cost or if the cost is not practicably determinable, at estimated cost. Donated fixed assets are recorded at their estimated fair value at the time received. Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment, and vehicles in the proprietary fund types is computed using the straight-line method over the estimated useful lives of the assets, ranging from 10-40 years. The Village has elected not to report public domain or infrastructure fixed assets that are immovable and of value only to the Village government.

Reservations of Fund Equity

Portions of fund equity are reserved for specific future use, and are, therefore, not available for general appropriation or expenditure. Fund equity reserves represent those amounts which are legally, contractually or otherwise segregated for future use.

Property Taxes

Property tax revenue is recognized in the amount of taxes levied.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, Section 18 (i), as amended, provides that a local unit shall not incur expenditures in excess of the annual appropriation. In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis as approved and adopted by the Village Board.

During the year ended February 29, 2004, the Village incurred expenditures in certain budgetary funds that were in excess of the amount appropriated. These variances are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund			
Advertising	\$ 200	\$ 549	\$ 349
Elections	200	296	96
Repair and Maintenance	10,975	16,546	5,571
Utilities and Telephone	11,284	15,236	3,952
Insurance	7,662	12,098	4,436
Professional Services	13,000	31,462	18,462
Payroll Expense	14,800	39,096	24,296
Special revenue funds			
Miscellaneous Expense	0	85	85
Capital Outlay	0	65,343	65,343

VILLAGE OF CAMDEN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

3. CASH AND INVESTMENTS

Following are the components of the Village's bank deposits at February 29, 2004:

Checking Accounts	\$ 358,668
Savings Accounts	76,378
Certificates of Deposit	<u>335,556</u>
Total	<u>\$ 770,602</u>

The carrying amount of the Village's bank deposits was \$770,602 and the bank's balance was \$771,693 at February 29, 2004. Of the total bank balance, \$268,902 was covered by federal depository insurance and \$502,791 was uninsured.

Act 217, P.A. 1982 authorizes the Village to invest funds in one or more of the following: (a) bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of a Federally insured financial institution which maintains a principal office or branch office in the state of Michigan; (c) commercial paper rated within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase; (d) United States government or Federal agency obligation repurchase agreements; (e) banker's acceptance of United States banks; (f) obligations of the State of Michigan or any of its political subdivisions that are rated as investment grade by not less than one standard rating service; (g) mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles which are legal for investment by a public corporation; (h) obligations described above if purchased through an interlocal agreement under the Urban Cooperations Act of 1967; (i) investment pools organized under the Surplus Funds Investment Pool Act, 1982; (j) investment pools organized under the Local Government Investment Pool Act, 1985. As of February 29, 2004, the Village's investments are in accordance with statutory authority.

4. PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in amounts equal to the total taxes levied. The total levy for 2003 was 9.7363 mills - 8.8092 mills allocated to General Fund, and .9271 mills allocated to Cemetery. The 2003 total state taxable value was approximately \$5,539,008. Village properties are assessed as of the preceding July 31 (the lien date) - taxes levied July 1 of the succeeding year and are due without interest to September 15. After the final collection date, unpaid real property taxes are added to the county delinquent tax rolls. Personal property taxes unpaid continue to be collected by the Village Treasurer.

5. RESTRICTED ASSETS

Certain assets in the sewer fund are set aside and classified as restricted on the balance sheet because their use is limited by applicable bond covenants. The "bond and interest redemption" account is used to segregate resources accumulated for debt service payments. The "bond reserve" account is used to report resources set aside to make up potential future deficiencies in payment of bond principal and interest.



VILLAGE OF CAMDEN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

6. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets and similar component unit fixed assets is as follows:

<b>Primary Government</b>	<b>Balance 2/28/2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2/29/2004</b>
Land and buildings	\$ 163,460	\$ 0	\$ 0	\$ 163,460
Equipment and vehicles	<u>270,860</u>	<u>68,468</u>	<u>0</u>	<u>339,328</u>
Total	<u>\$ 434,320</u>	<u>\$ 68,468</u>	<u>\$ 0</u>	<u>\$ 502,788</u>

Property and equipment recorded in the proprietary funds at February 29, 2004, follows:

	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Plant & Equipment	\$ 490,023	\$ 892,472	\$ 1,382,495
Accumulated Depreciation	<u>(215,048)</u>	<u>(368,779)</u>	<u>(583,827)</u>
Total	<u>\$ 274,975</u>	<u>\$ 523,693</u>	<u>\$ 798,668</u>

Total depreciation expense for the year was \$10,675 for the Water Fund, and \$17,951 for the Sewer Fund.

7. INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at February 29, 2004 were as follows:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Fund</b>	<b>Interfund Payable</b>
General	\$ 8,317	Cemetery	\$ 8,317
	56,388	Fire	56,388
	40,861	Water	40,861
	5,654	Major Street	5,654
	500	Local Street	500
	6,051	Parks	6,051
	3,110	Sewer	3,110
Fire	8,237	General	8,237
LDFA	16,321		16,321
Sewer	4,583		4,583
Water	3,444		3,444
Cemetery	979		979
Local Street	549	Major Street	549
Fire	7,000	Water	7,000
Water	<u>11,429</u>	Sewer	<u>11,429</u>
	<u>\$173,423</u>		<u>\$173,423</u>

VILLAGE OF CAMDEN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

8. LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the Village for the year:

	Balance March 1, 2003	Additions	Reductions	Balance February 29, 2004
<b>General Long Term Debt</b>				
Note payable, Kubota financing	\$ 21,009	\$ 0	\$ 7,907	\$ 13,012

Following is a summary of principal maturities on the Kubota tractor:

Year ending February 29	Amount
2005	\$ 8,559
2006	4,453
	<u>\$ 13,012</u>

	Balance March 1, 2003	Additions	Reductions	Balance February 29, 2004
<b>Proprietary Funds</b>				
Revenue Bonds	\$ 431,000	\$ 3,000	\$ (4,000)	\$ 430,000

Revenue Bonds - The Village has a bond issue with the United States Department of Agriculture which funded the sewer project. These are revenue bond issues, whereby revenue derived from the utility system is used to pay the debt service.

Annual debt service requirements to maturity as of February 29, 2004, are as follows:

**Sewer Fund - \$ 525,000 Revenue Bond Issue**

Year ending February 29	Principal	Interest	Total
2005	\$ 4,000	\$ 19,890	\$ 23,890
2006	4,000	19,710	23,710
2007	5,000	19,508	24,508
2008	5,000	19,282	24,282
2009-2013	28,000	92,835	120,835
2014-2018	35,000	85,793	120,793
2019-2023	44,000	76,950	120,950
2024-2028	54,000	65,925	119,925
2029-2033	69,000	52,087	121,087
2034-2038	86,000	34,785	120,785
2039-2043	<u>96,000</u>	<u>12,960</u>	<u>108,960</u>
Totals	<u>\$ 430,000</u>	<u>\$ 499,725</u>	<u>\$ 929,725</u>

VILLAGE OF CAMDEN  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2004

9. SEGMENT INFORMATION - ENTERPRISE FUNDS

The Village maintains two utility funds which provide water and sewer services. Segment information for the year ended February 29, 2004 is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenue	\$ 54,829	\$ 62,927	\$ 117,756
Depreciation Expense	10,675	17,951	28,626
Operating Income	34,812	31,520	66,332
Net Income (Loss)	35,287	13,084	48,371
Contributions From Other Funds	0	0	0
Property, Plant and Equipment Additions	66,461	48,558	115,019
Net Working Capital	96,544	129,372	225,916
Total Assets	420,316	737,283	1,157,599
Bonds and Contract Payable	0	430,000	430,000
Total Equity	371,519	272,288	643,807

10. RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Village has purchased commercial insurance for each of these areas of risk and there have been no significant reduction in insurance coverages. Settled claims have not exceeded the amount of insurance coverage for the current or the three prior years.

11. ENVIRONMENTAL REMEDIATION

During the past three years, the Village has been working with the State of Michigan Department of Environmental Quality (DEQ) and contracted engineers on a sewer lagoon project in response to overflows occurring with its sewer lagoon. During the course of the project the Village has been penalized \$22,500 by the DEQ for failure to comply with project deadlines. A penalty of \$12,500 was paid in the 2001-02 fiscal year, and \$10,000 was paid in the 2002-2003 year. A two-phase project was instituted to correct the problem. As of February 29, 2004 Phase I of the project which consisted of sealing joints, repairing manholes, upgrading storm sewers, and repairing the lagoon fields was substantially complete. The Village intends on beginning Phase II of the project which will include additions to the existing lagoon system, installation of water meters, and upgrades to the system pump stations.

12. SUBSEQUENT EVENTS

The Village was notified that disbursements had not been made by the Village for the county, township, and school district portions of the payments in lieu of taxes that were received by the Village from Deardorf Apartments for the past three tax years. The amount due at February 29, 2004 to the other governmental agencies was \$19,240 and is shown as part of accounts payable in the general fund.

SUPPLEMENTARY INFORMATION

VILLAGE OF CAMDEN  
COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS  
FEBRUARY 29, 2004

	Fire Fund	Cemetery Fund	Major Street Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 41,442	\$ 87,339	\$ 161,680
Accounts Receivable	0	86	0
Due from other funds	15,237	979	0
Due from other governmental units	0	949	6,004
Prepaid insurance	<u>3,312</u>	<u>248</u>	<u>663</u>
Total assets	<u>\$ 59,991</u>	<u>\$ 89,601</u>	<u>\$ 168,347</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,230	\$ 0	\$ 0
Due to other funds	<u>56,388</u>	<u>8,317</u>	<u>6,204</u>
Total liabilities	<u>\$ 57,618</u>	<u>\$ 8,317</u>	<u>\$ 6,204</u>
<b>FUND BALANCE</b>			
Designated	\$ 0	\$ 0	\$ 0
Unreserved, undesignated	<u>2,373</u>	<u>81,284</u>	<u>162,143</u>
Total fund balance	<u>\$ 2,373</u>	<u>\$ 81,284</u>	<u>\$ 162,143</u>
Total liabilities and fund balance	<u>\$ 59,991</u>	<u>\$ 89,601</u>	<u>\$ 168,347</u>

The accompanying notes are an integral part of this statement.

Local Street Fund	Park Fund	Total
\$ 35,579	\$ 9,241	\$ 335,281
0	0	86
549	0	16,765
2,300	0	9,253
<u>331</u>	<u>248</u>	<u>4,802</u>
<u>\$ 38,759</u>	<u>\$ 9,489</u>	<u>\$ 366,187</u>

\$ 0	\$ 0	\$ 1,230
<u>500</u>	<u>6,051</u>	<u>77,460</u>
<u>\$ 500</u>	<u>\$ 6,051</u>	<u>\$ 78,690</u>

\$ 0	\$ 0	\$ 0
<u>38,259</u>	<u>3,438</u>	<u>287,497</u>
<u>\$ 38,259</u>	<u>\$ 3,438</u>	<u>\$ 287,497</u>
<u>\$ 38,759</u>	<u>\$ 9,489</u>	<u>\$ 366,187</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CAMDEN  
COMBINING STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED FEBRUARY 29, 2004

	Fire Fund	Cemetery Fund	Major Street Fund
<b>REVENUE</b>			
Property taxes	\$ 0	\$ 5,654	\$ 0
State shared revenue	0	0	32,318
Charges for services	19,147	0	0
Grants	15,648	0	0
Contributions	42,589	0	0
Interest income	365	1,223	691
Miscellaneous income	<u>810</u>	<u>300</u>	<u>0</u>
Total revenue	\$ <u>78,559</u>	\$ <u>7,177</u>	\$ <u>33,009</u>
<b>EXPENDITURES</b>			
General operations	\$ 0	\$ 1,059	\$ 0
Culture and recreation	0	0	0
Public safety	20,032	0	0
Highways and streets	0	0	2,189
Capital outlay	<u>57,108</u>	<u>0</u>	<u>2,500</u>
Total expenditures	\$ <u>77,140</u>	\$ <u>1,059</u>	\$ <u>4,689</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	\$ <u>1,419</u>	\$ <u>6,118</u>	\$ <u>28,320</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	\$ 0	\$ 0	\$ 0
Operating transfers out	<u>0</u>	<u>0</u>	<u>(2,000)</u>
Total other financing sources (uses)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(2,000)</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	\$ 1,419	\$ 6,118	\$ 26,320
<b>FUND BALANCE - March 1, 2003</b>	<u>954</u>	<u>75,166</u>	<u>135,823</u>
<b>FUND BALANCE - February 29, 2004</b>	<u>\$ 2,373</u>	<u>\$ 81,284</u>	<u>\$ 162,143</u>

The accompanying notes are an integral part of this statement.

Local Street Fund	Park Fund	Total
\$ 0	\$ 0	\$ 5,654
12,322	0	44,640
0	0	19,147
0	0	15,648
0	0	42,589
0	85	2,364
<u>0</u>	<u>755</u>	<u>1,865</u>
\$ 12,322	\$ 840	\$ 131,907
\$ 0	\$ 0	\$ 1,059
0	1,414	1,414
0	0	20,032
1,020	0	3,209
<u>500</u>	<u>5,235</u>	<u>65,343</u>
\$ 1,520	\$ 6,649	\$ 91,057
\$ 10,802	\$ (5,809)	\$ 40,850
\$ 0	\$ 400	\$ 400
<u>(1,000)</u>	<u>0</u>	<u>(3,000)</u>
\$ (1,000)	\$ 400	\$ (2,600)
\$ 9,802	\$ (5,409)	\$ 38,250
<u>28,457</u>	<u>8,847</u>	<u>249,247</u>
<u>\$ 38,259</u>	<u>\$ 3,438</u>	<u>\$ 287,497</u>

The accompanying notes are an integral part of this statement.



VILLAGE OF CAMDEN  
COMBINING BALANCE SHEET  
ALL PROPRIETARY FUNDS  
FEBRUARY 29, 2004

			Total (Memo) Only
ASSETS	<u>Water</u>	<u>Sewer</u>	
Current assets			
Cash	\$ 122,767	\$ 142,924	\$ 265,691
Accounts receivable	3,832	4,343	8,175
Assessments due from other governments	3,289	3,874	7,163
Due from other funds	14,873	4,583	19,456
Prepaid expense	<u>580</u>	<u>580</u>	<u>1,160</u>
Total current assets	<u>\$ 145,341</u>	<u>\$ 156,304</u>	<u>\$ 301,645</u>
Restricted assets			
Bond interest and redemption accounts	\$ 0	\$ 51,519	\$ 51,519
Bond reserve account	<u>0</u>	<u>5,767</u>	<u>5,767</u>
Total restricted assets	<u>\$ 0</u>	<u>\$ 57,286</u>	<u>\$ 57,286</u>
Fixed assets	\$ 490,023	\$ 892,472	\$ 1,382,495
Accumulated depreciation	<u>(215,048)</u>	<u>(368,779)</u>	<u>(583,827)</u>
Fixed assets - net	<u>\$ 274,975</u>	<u>\$ 523,693</u>	<u>\$ 798,668</u>
Total assets	<u><u>\$ 420,316</u></u>	<u><u>\$ 737,283</u></u>	<u><u>\$ 1,157,599</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CAMDEN  
COMBINING BALANCE SHEET  
ALL PROPRIETARY FUNDS  
FEBRUARY 29, 2004

	<u>Water</u>	<u>Sewer</u>	Total (Memo) Only
<b>LIABILITIES AND FUND EQUITY</b>			
Current liabilities			
Accounts payable	\$ 936	\$ 12,393	\$ 13,329
Due to other funds	<u>47,861</u>	<u>14,539</u>	<u>62,400</u>
Total current liabilities	<u>\$ 48,797</u>	<u>\$ 26,932</u>	<u>\$ 75,729</u>
Current liabilities payable from restricted assets			
Accrued interest payable	\$ 0	\$ 8,063	\$ 8,063
Revenue bonds - current	<u>0</u>	<u>4,000</u>	<u>4,000</u>
Total current liabilities payable from restricted assets	<u>\$ 0</u>	<u>\$ 12,063</u>	<u>\$ 12,063</u>
Long-term liabilities			
Revenue bonds payable	<u>\$ 0</u>	<u>\$ 426,000</u>	<u>\$ 426,000</u>
Total long-term liabilities	<u>\$ 0</u>	<u>\$ 426,000</u>	<u>\$ 426,000</u>
Total liabilities	<u>\$ 48,797</u>	<u>\$ 464,995</u>	<u>\$ 513,792</u>
<b>FUND EQUITY</b>			
Contributed capital	<u>\$ 0</u>	<u>\$ 200,038</u>	<u>\$ 200,038</u>
Retained earnings			
Reserved for bond reserve	\$ 0	\$ 5,767	\$ 5,767
Unreserved	<u>371,519</u>	<u>66,483</u>	<u>438,002</u>
Total retained earnings	<u>\$ 371,519</u>	<u>\$ 72,250</u>	<u>\$ 443,769</u>
Total fund equity	<u>\$ 371,519</u>	<u>\$ 272,288</u>	<u>\$ 643,807</u>
Total liabilities and fund equity	<u><u>\$ 420,316</u></u>	<u><u>\$ 737,283</u></u>	<u><u>\$ 1,157,599</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CAMDEN  
COMBINING STATEMENT OF REVENUE, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUNDS  
FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>Water</u>	<u>Sewer</u>	Total (Memo) <u>Only</u>
OPERATING REVENUE			
Sales	\$ 54,829	\$ 62,927	\$ 117,756
Connection fees	1,600	0	1,600
Special assessments	6,496	4,735	11,231
Miscellaneous Income	<u>75</u>	<u>2,599</u>	<u>2,674</u>
Total Operating Revenue	<u>\$ 63,000</u>	<u>\$ 70,261</u>	<u>\$ 133,261</u>
OPERATING EXPENSES			
Professional services	\$ 518	\$ 0	\$ 518
Contracted services	9,320	10,120	19,440
Insurance	852	952	1,804
Utilities	2,971	3,008	5,979
Advertising	248	0	248
Depreciation	10,675	17,951	28,626
Maintenance and repair	2,802	6,536	9,338
Fees	650	133	783
Miscellaneous	<u>152</u>	<u>41</u>	<u>193</u>
Total operating expenses	<u>\$ 28,188</u>	<u>\$ 38,741</u>	<u>\$ 66,929</u>
Operating income	<u>\$ 34,812</u>	<u>\$ 31,520</u>	<u>\$ 66,332</u>
NON-OPERATING REVENUE (EXPENSE)			
Interest income	\$ 475	\$ 646	\$ 1,121
Interest expense	0	(19,082)	(19,082)
Operating transfers in	0	0	0
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>
Net non-operating revenue (expense)	<u>\$ 475</u>	<u>\$ (18,436)</u>	<u>\$ (17,961)</u>
NET INCOME (LOSS)	<u>\$ 35,287</u>	<u>\$ 13,084</u>	<u>\$ 48,371</u>
RETAINED EARNINGS - March 1, 2003	<u>336,232</u>	<u>59,166</u>	<u>395,398</u>
RETAINED EARNINGS - February 29, 2004	<u>\$ 371,519</u>	<u>\$ 72,250</u>	<u>\$ 443,769</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF CAMDEN  
COMBINING STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUNDS  
FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>Water</u>	<u>Sewer</u>	Total (Memo) Only
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 65,780	\$ 74,647	\$ 140,427
Cash paid to suppliers	<u>(14,388)</u>	<u>(16,193)</u>	<u>(30,581)</u>
Net cash provided by operating activities	<u>\$ 51,392</u>	<u>\$ 58,454</u>	<u>\$ 109,846</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	\$ 0	\$ 0	\$ 0
Transfers to other funds	<u>0</u>	<u>0</u>	<u>0</u>
Net cash provided by (used) in non-capital financing activities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital expenditures	\$ (66,461)	\$ (48,558)	\$ (115,019)
Bond interest paid	0	(18,016)	(18,016)
Bond principal paid	0	(4,000)	(4,000)
Bond proceeds	<u>0</u>	<u>3,000</u>	<u>3,000</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (66,461)</u>	<u>\$ (67,574)</u>	<u>\$ (134,035)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	<u>\$ 475</u>	<u>\$ 646</u>	<u>\$ 1,121</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>\$ (14,594)</u>	<u>\$ (8,474)</u>	<u>\$ (23,068)</u>
<b>CASH &amp; CASH EQUIVALENTS - March 1, 2003</b>	<u>137,361</u>	<u>208,684</u>	<u>346,045</u>
<b>CASH &amp; CASH EQUIVALENTS - February 29, 2004</b>	<u><u>\$ 122,767</u></u>	<u><u>\$ 200,210</u></u>	<u><u>\$ 322,977</u></u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire  
& Company, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Village Council  
Village of Camden  
Camden, Michigan

We have audited the general purpose financial statements of the Village of Camden as of and for the year ended February 29, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Camden's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated August 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Camden's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Camden in a separate letter dated August 26, 2004.

Village of Camden

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This report is intended solely for the information and use of management, others within the organization, the Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bailey, Hodshone + Company P.C.*

Jonesville, Michigan

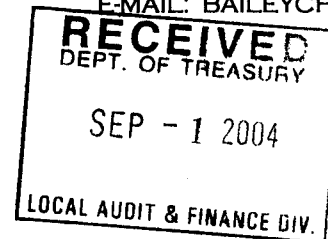
August 26, 2004

Bailey, Hodshire  
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August 26, 2004



To the Members of the Village Council  
Village of Camden  
Camden, MI 49232

In connection with our audit of the Village of Camden for the year ended February 29, 2004, we would like to make the following comments and recommendations:

1. Payments for goods and services should only be made from vendor invoices, not vendor statements. The statements usually do not have necessary details of the expenditures.
2. Copies of invoices or some form of support should be retained for all disbursements of Village funds. General ledger account numbers should be coded on these invoice copies to provide a proper audit trail.
3. Act 51 Financial Reports should be submitted on a timely basis to avoid withholding of payments by the State of Michigan.
4. There were accounts that had expenditures in excess of budgeted amounts, which is a violation of State budgeting laws. We recommend that all budgets be reviewed and amended as necessary to prevent over-expenditure in any line item.
5. As noted in previous audits, the Local Development Finance Authority (LDFA) has remained dormant for several years. Taxpayer dollars are captured by the LDFA from the Village, the Township, the School District, and the County to be used for the purposes outlined in the LDFA development plan. We recommend that a board of directors be appointed to utilize these outside funds for the benefit of the Village.
6. The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which makes dramatic changes to the way local governments report their finances to the public. These changes include presenting a financial statement on the *full accrual* basis of accounting (i.e. one that includes fixed assets, infrastructure, depreciation, and long-term debt) and the addition of *Management's Discussion and Analysis (MD&A)* at the beginning of the financial statements. MD&A is an analysis of the financial condition and operating results of the government written by its financial managers. The general provisions of GASB No. 34 must be implemented by the Village for the fiscal year ending February 28, 2005.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

*Bailey, Hodshire & Company, P.C.*

Bailey, Hodshire & Company, P.C.  
Certified Public Accountants